

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2018-4-G - ORDER NO. 2018-521

JULY 31, 2018

IN RE: Annual Review of Purchased Gas) ORDER RULING ON
Adjustment and Gas Purchasing Policies of) PURCHASED GAS
Piedmont Natural Gas Company, Inc.) ADJUSTMENT AND GAS
) PURCHASING POLICIES

The above-captioned matter is before the Public Service Commission of South Carolina (“Commission”) concerning its annual review¹ of the Purchased Gas Adjustment (“PGA”) and gas purchasing policies of Piedmont Natural Gas Company, Inc. (“PNG”). The South Carolina Office of Regulatory Staff (“ORS”) is a party of record in this proceeding under the provisions of S.C. Code Ann. § 58-4-10(B) (Supp. 2016). PNG and ORS (collectively the “Parties” or individually a “Party”) entered into a settlement agreement (“Settlement Agreement”), which was filed with the Commission on June 29, 2018.

The Commission conducted a formal hearing in this matter on July 12, 2018, beginning at 10:30 a.m. in the hearing room of the Commission with the Honorable Comer H. Randall, Chairman, presiding. C. Lessie Hammonds, Esquire, and Jeffrey M. Nelson, Esquire, appeared on behalf of ORS. Melinda L. McGrath, Esquire, James H. Jeffries IV, Esquire, and Jeremy C. Hodges, Esquire, appeared on behalf of PNG.

¹ See Commission Order No. 88-294 dated April 6, 1988 (annual review).

At the hearing, and upon the motion of the Parties, the Commission accepted into the record the pre-filed direct testimony of PNG witness Sarah E. Stabley, the pre-filed direct testimony and exhibits of PNG witness Gennifer Raney, the pre-filed direct testimony and exhibits of PNG witness MaryBeth Tomlinson as well as the settlement testimony of PNG witness MaryBeth Tomlinson. The pre-filed direct testimony and exhibits of ORS witness Zachary J. Payne and the pre-filed direct testimony of ORS witness Matthew P. Schellinger, II were also accepted into the record. The Commission accepted into evidence the Settlement Agreement as Hearing Exhibit No. 1. ORS witness Payne's exhibits (ZJP 1-3) were admitted into evidence as Hearing Exhibit No. 2. PNG witness Tomlinson's exhibits (MBT 1-2) were admitted into evidence as Hearing Exhibit No. 3. PNG witness Raney's exhibits (GJR 1-6) were admitted into evidence as Hearing Exhibit No. 4.

At the hearing, PNG witness Stabley testified as to PNG's gas purchasing policies and the components of the "best cost" gas purchasing policy. Ms. Stabley stated that PNG did not implement any changes in its "best cost" gas purchasing policies or practices during April 1, 2017, through March 31, 2018 (the "Review Period"). Ms. Stabley also testified that PNG has taken numerous measures to manage its gas costs consistent with its "best cost policy" including active participation at the Federal Energy Regulatory Commission ("FERC"), restructuring of supply and capacity contracts to adjust to market conditions, and the promotion of more efficient use of its system and of its capacity and commodity rights. Ms. Stabley added that the "best cost" purchasing

policy utilized by PNG has been reviewed and found prudent on all occasions in South Carolina and the other state jurisdictions in which PNG operates.

PNG witness Raney testified that PNG serves approximately 145,139 customers in South Carolina and that during the Review Period, PNG delivered approximately 28,030,167 dekatherms (“dts”) of natural gas to its South Carolina customers. Ms. Raney also explained the calculation of PNG customer growth and design day needs and the process utilized by PNG to acquire new capacity. According to PNG, it calculates the design day needs of its system based on a number of factors and inputs, including historical weather, historical operating experience, forecasted customer additions, and projected demand. PNG states that it then calculates a reserve margin to ensure its ability to provide safe and reliable service to its firm customer base during design-day conditions.

PNG witness Tomlinson testified to the end-of-period balances in and the accounting for PNG’s deferred gas cost account. That accounting is set out in Hearing Exhibit No. 3 (Exhibit_MBT-1 attached to the pre-filed testimony of MaryBeth Tomlinson). PNG maintains an account reflecting its gas costs each month, the amount of gas costs recovered each month, and amounts deferred each month. PNG also maintains a hedging account, which records the results of its hedging activities undertaken in accordance with its hedging plan.

In her settlement testimony, PNG witness Tomlinson testified that, following extensive review, examination and discussions between PNG and the ORS, both parties agreed to each of the matters stipulated in the Settlement Agreement. The Settlement

Agreement is offered by all parties as a fair, reasonable and full resolution of all issues in this proceeding as signified by all parties being signatories to the Settlement Agreement.

ORS witness Payne testified that ORS had performed an examination of PNG's purchased gas deferred account, gas storage inventory accounts, and hedging program deferred account for the Review Period. Based upon that examination it is the opinion of ORS that the over collection balance in the purchased gas deferred account at March 31, 2018, of \$298,268, shown on Piedmont witness Tomlinson's Exhibit MBT-1 is accurately stated.

ORS witness Schellinger testified that PNG had adequate firm supplies to meet its firm customer requirements; is continuing its attempts to get the best terms available in its negotiations with suppliers; has used the spot market to purchase supplies for periods of one month or less; and managed its hedging activities in a manner consistent with the terms of its approved hedging program during the Review Period.

The Settlement Agreement reflected the Parties' agreement that: (i) PNG's gas purchasing policies and practices during the Review Period were reasonable and prudent; (ii) PNG properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period; (iii) PNG managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders; (iv) the end-of-period balances for PNG's hedging accounts are those reflected in the testimony of Piedmont witness Tomlinson; and (v) the end-of-period balances for PNG's purchased gas deferred accounts are those reflected in the pre-filed direct testimony of PNG witness Tomlinson.

NOW, THEREFORE, based upon the foregoing, IT IS HEREBY DECLARED AND ORDERED THAT:

1. The pre-filed direct testimony of PNG witness Sarah E. Stabley, the pre-filed direct testimony and exhibits of PNG witness Gennifer Raney, and the pre-filed direct testimony, exhibits, and settlement testimony of PNG witness MaryBeth Tomlinson are accepted into the record without objection.

2. The pre-filed direct testimony and exhibits of ORS witness Zachary J. Payne and the pre-filed direct testimony of Matthew P. Schellinger, II are accepted into the record without objection.

3. The Settlement Agreement (Order Exhibit 1) is accepted into the record and incorporated into and made part of this Order by reference and, based upon the testimony and exhibits presented at the hearing of this matter, is found to be in the public interest and constitutes a reasonable resolution of the issues in this proceeding.

4. PNG's gas purchasing policies and practices during the Review Period were reasonable and prudent.

5. PNG properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period.

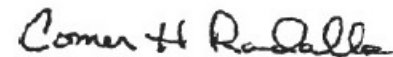
6. PNG managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders.

7. The end-of-period balances for PNG's hedging accounts are those reflected in the testimony of Company witness Tomlinson.

8. The end-of-period balances for PNG's deferred gas cost accounts are those reflected in the testimony of witness Tomlinson.


9. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Comer H. "Randy" Randall, Chairman

ATTEST:



Jocelyn Boyd, Chief Clerk/Administrator

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2018-4-G

June 29, 2018

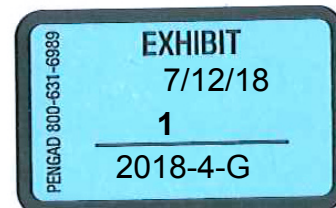
IN RE: Annual Review of Purchased Gas Adjustment)
and Gas Purchasing Policies of Piedmont) SETTLEMENT AGREEMENT
Natural Gas Company, Incorporated)

This Settlement Agreement is made by and between the South Carolina Office of Regulatory Staff ("ORS") and Piedmont Natural Gas Company, Inc. ("PNG") (collectively referred to as the "Parties" or sometimes individually as a "Party").

WHEREAS, by the Public Service Commission of South Carolina ("Commission") Order No. 88-294, dated April 6, 1988, the Commission instituted an annual review of PNG's Purchased Gas Adjustment and Gas Purchasing Policies. Additionally, in Order No. 2002-223, dated March 26, 2002, in Docket No. 2001-410-G, the Commission required PNG to file regular reports on the status of the hedging program and the results of its hedging activities. In the above-captioned proceeding the review period is April 1, 2017 through March 31, 2018 ("Review Period");

WHEREAS, the Parties to this Settlement Agreement are the only parties of record in the above-captioned docket. There are no other parties of record in the above-captioned proceeding;

WHEREAS, the Parties have engaged in discussions to determine if a settlement of this proceeding would be in their best interest and in the public interest;



WHEREAS, following those discussions the Parties have each determined that their interests and the public interest would be best served by settling the above-captioned case under the terms and conditions set forth below:

1. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony of PNG witness Sarah E. Stabley, the pre-filed direct testimony and exhibits of PNG witness Gennifer Raney, and the pre-filed direct testimony and exhibits of PNG witness MaryBeth Tomlinson without objection, change, amendment, or cross-examination by the Parties unless such is mutually agreed upon. PNG will present its witnesses at the hearing and MaryBeth Tomlinson will testify in support of this Settlement Agreement.

2. The Parties agree to stipulate into the record before the Commission the pre-filed direct testimony and exhibits of ORS witness Zachary J. Payne and the pre-filed direct testimony of ORS witness Matthew P. Schellinger, II without objection, change, amendment, or cross-examination by the Parties unless such is mutually agreed upon. ORS will present its witnesses at the hearing.

3. The Parties further agree that with the stipulated testimony of record and the agreement of the Parties regarding the review period activity and end-of-period account balances, the hearing record before the Commission will demonstrate the following: (i) PNG's gas purchasing policies and practices during the Review Period were reasonable and prudent; (ii) PNG properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period; (iii) PNG managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders; and, (iv) the end-of-period balances for PNG's hedging and deferred gas costs accounts are those reflected in the testimony of PNG witness MaryBeth Tomlinson.

4. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable and full resolution of the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

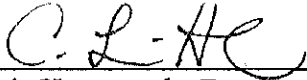
5. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair their arguments or positions in future proceedings. If the Commission should decline to approve the agreement in its entirety, then any Party desiring to do so may withdraw from the agreement without penalty.

6. This Settlement Agreement shall be interpreted according to South Carolina law.

7. Each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the Settlement Agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

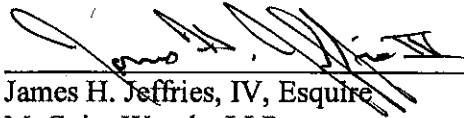
[PARTY SIGNATURES TO FOLLOW ON SEPARATE PAGES]

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